SHRI MURLIDHAR CHANDRAKANT BHANDARE: My question has been transferred and now it has appeared as 322A. So, it has to be taken up in the order in which it has been slated.

Withdrawal of special incentives and concessions for setting up industrial units in the backward areas

@*322A. SHRI MURLIDHAR CHANDRAKANT BHANDARE:†
SHRI SURESH PACHOURI:

Will the Minister of FINANCE be pleased to refer to the answer to Unstarred Question 662 given in the Rajya Sabha on the 14th May, 1990, and state the reasons for withdrawing the special fiscal incentives and concessions hitherto extended for setting up of industrial units in the industrially backward and no-industry areas as distinct from general incentives for setting up new industries in any part of the country which were purported to ensure accelerated development of backward areas to bring them into the main stream of development?

THE MINISTER OF FINANCE (PROF. MADHU DANDAVATE): Government is of the view that the reduction in corporate and registered firm tax rates, liberalisation of the tax incentive for setting up a new industrial undertaking and the reintroduction of the Central Investment Subsidy Scheme for rural and backward areas, provide adequate fiscal incentives for setting up industrial undertakings in backward and rural areas. There is, therefore, no case for any furter tax concession for this purpose.

SHRI MURLIDHAR CHANDRAKANT BHANDARE: Sir, I welcome the change of the Minister.

MR. CHAIRMAN: Change of the Minister?

SHRI MURLIDHAR CHANDRAKANT BHANDARE: Sir, it was originally listed against the Ministry of Industry and now it has been transferred to the Finance Ministry and I welcome the change. The question rightly falls in his jurisdiction.

MR. CHAIRMAN: Anyway, both of you are Maharashtrians, does not make any difference.

SHRI MURLIDHAR CHANDRAKANT BHANDARE: Now, Sir, I am totally dissatisfied with the answer because this raises very very basic issues, particularly when the Prime Minister is pledged to a fiscal policy continuously for a certain period of time, in fact, when he became the Finance Minister, I remember, all of us welcome his saying that the fiscal policy regarding taxation and other things should continue for a period of five years. Now suddenly you are withdrawing the concessions, particularly for industries which are to be set up in backward areas, in no-industry areas. These are not the general incentives, and this sudden withdrawal causes untold hardship. More than that, it affects the credibility of the Government. Whatever alternative schemes you may have, but those whose projects are in the pipeline are the worst sufferers. Could the Finance Minister not give some notice, say of two to three years, before suddenly putting an end to these incentives?

PROF. MADHU DANDAVATE: Sir, I am happy that the hon. Member is happy that it is transferred in my name, but he is unhappy over the way in which I have answered, I will try to satisfy him.

Firstly, we have not acted in an arbitrary manner. We try to take

---

(@ Previously Starred Question 363 transferred from the 28th May, 1990.

†The question was actually asked on the floor of the House by Shri Murlidhar Chandrakant Bhandare.

cognizance of some of the studies that were already available regarding the taxation concessions and subsidies as far as the backward areas are concerned. One such valuable study that is available with us is the National Institute of Public Finance and Policy Report, giving a number of illustrations. It has clearly established the case and that is our Finance Ministry's experience also, that as far as tax concession is concerned, it is not at all a cost effective way of solving the problem of development. As I said, it is a better method and there are many working in various fields who feel that subsidy is a better instrument than the tax concession. Therefore, we have undertaken this particular device and we are sure, as you see the implementation of this scheme, that it will give better results. I am not saying it only prospectively. Looking at the experience of the past, there was already a Central Investment Subsidy Scheme in the past. All of a sudden, that was discontinued. There was crtiticism by small scale industries organisations and also by representatives belonging to various legislatures that backward areas can be served better not merely by tax concession, but by providing subsidy. Therefore, we have chosen the more effective path of introducing 15% subsidy for the backward areas.

SHRI MURLIDHAR CHANDRAKANT BHANDARE: I am still not convinced because, as I said, I am not disputing the alternative which has been taken. We have had discussion here on subsidies and there are also other views on the extent to which the policy of subsidy has succeeded. But the point is, while doing away with the tax concession, could you not have continued with this relief for another period of two years, as you have done in many other cases, given them notice etc. so that they do not abruptly suffer? That is the point which I am making.

PROF MADHU DANDAVATE: The concrete point that he has made is that those which are already in the pipeline should be given the advantage of this tax concession which already existed. Though there is some substance in the thrust of his question, I must say that once you take that attitude, there is also the possibility of a large scale manipulation and a number of things can be shown to be already in the pipeline. In order not to go to that extent, we prefer the path of subsidy. But at the same time, I may assure the hon. Member that we will take our experience into account and if at all, on the basis of the experience that will accrue, we find that a slight modification is necessary, we can come forward with a notification and make the necessary changes.

श्री सुरेश पचौरी: सभापति महोदय, मैं आपके माध्यम से माननीय मंत्री जी से यह जानना चाहता हूं कि ऐसी किन परिस्थितियों ने उन्हें बाध्य किया कि उन्हें इस नीति में परिवर्तन करना पड़ा? क्या उनका ध्यान इस बात की ओर गया है कि पूर्व वित्त मंत्री श्री एन० डी० तिवारी जी का यह मतंव्य था कि इस नीति परिवर्तन से बेकवर्ड और रूरल एरियाज़ के इंडस्ट्रीयलाइज़ेशन पर बहुत विपरीत असर पड़ेगा और यदि विपरीत असर पड़ेगा तो उनका असेस्मेंट कितना है, और कितना इंडस्ट्रियलाइज़ेशन पर इफेक्ट पड़ेगा?

प्रो० मधु दण्डवते: सभापति महोदय, यह सिर्फ मूल्यांकन का सवाल है। कई संस्थाओं का जिनका नाम मैंने अभी लिया नेशनल इंस्टीट्यूट आफ फाइनेंस एंड पालिसी तथा फाइनेंस मिनिस्ट्री का आज तक का जो तजरूबा रहा है वह सारा देख कर हमें विश्वास है कि सबसिडी का रास्ता टेक्स कनसेशन के रास्ते से ज्यादा अच्छा है। यह भी मैं बताना चाहूंगा कि ऐसा नहीं है कि अन्य क्षेत्रों में भी कोई किसी प्रकार का टेक्स कनसेशन हमने नहीं दिया। जो 50 परसेंट डायरेक्ट टेक्स, कारपोरेट टेक्सेशन था वह भी अब 40 परसेंट हो गया है। हम लोगों ने इसके साथ-साथ यह भी किया है कि जो इस प्रावधान के बाद भी टेक्स नेट से बाहर जाते थे उनको टेक्स नेट में लाने के लिए इनवेस्टमेंट अलाऊंस तथा इनवेस्टमेंट अकाऊंट डिपोज़िट स्कीम को हमने खत्म कर दिया है। सारी केपिटल इंटेसिव आर्गेनाइज़ेशंस और कम्पनीज़ को हम टेक्स नेट में लाए हैं। हमारी उम्मीद है कि नये प्रावधानों से हम कारपोरेट सेक्टर से ज्यादा टेक्स हासिल कर पाएंगे। तो एक तरह से 50 परसेंट से 40

परसेंट टेक्स रेट को कम करना यह भी कनसेशन ज़रूर है लेकिन इस वक्त ज्यादा कनसेशन नहीं देना चाहते। लेकिन जैसे भंडारे जी को मैंने आश्वासन दिया है कि इस पालिसी के चलते हुए अगर किसी प्रकार की दिक्कत पैदा हो जाए और हमारा अनुभव यह बताए कि भंडारे जी ने जो सुझाव दिया है वह ठीक है तो उसके बारे में हम विचार करने के लिए तैयार हैं।

श्री अटल बिहारी वाजपेयी: सभापति महोदय, मैं टेक्स कनसेशन की बात नहीं कर रहा हूं, मैं सबसिडी की बात कर रहा हूं। क्या वित्त मंत्री महोदय को यह मालूम है कि पिछड़े हुए इलाकों में जो उद्योग आरम्भ हुए थे और जिन्हें सबसिडी दी जा रही थी उनकी सबसिडी बीच में ही रोक दी गई है और प्रदेश की सरकारें कह रही हैं कि केन्द्र के द्वारा सबसिडी रोक दी गई है, वह सबसिडी नहीं दे सकते। क्या वित्त मंत्री महोदय को मालूम है कि उद्योग मंत्रालय ने इस संबंध में निश्चित नीति बनाई है? मैं थोड़े दिन पहले उद्योग मंत्री से स्वयं मिला था और उन्होंने कहा था कि सब्सिडी देने की हमारी योजना समाप्त हो गयी है। यह अन्तर्विरोध मेरी समझ में नहीं आता है। वित्त मंत्री यहां टैक्स कन्सेशन की बजाए सब्सिडी की बात कर रहे हैं लेकिन व्यवहार में सब्सिडी बंद कर दी गयी है। मेरे पास अनेक उद्योगों के ऐसे मामले हैं।

प्रो॰ मधु दण्डवते: मैं जनरल सवाल का जिक्र नहीं कर रहा हूं। यह सवाल सिर्फ पिछड़े हुए प्रदेशों के बारे में है और आपको यह मैं बताना चाहता हूं कि आप जो कह रहे हैं वह ठीक है। पिछली सरकार ने सेंट्रल सब्सिडी बंद कर दी थी और इस बजट में वह मैंने रेसटोर कर दी है। यही मैं आपको बताना चाहता हूं और मेरा दावा है कि बजट में जो हमने कहा है उस पर ही अमल होगा। उसमें कोई फर्क नहीं होगा।

SHRI KAMAL MORARKA: Sir, it is a very important question that has come up before the House.

MR. CHAIRMAN: And an important supplementary by you!

SHRI KAMAL MORARKA: I want to know, specifically, whether it has come to the notice of the Finance Minister that in the two districts of Baroda and Khaira, there was a comparative study made and it was found that in spite of heavy capital investment in Baroda, the standard of living and employment have not come up as much as in Khaira district where the development pattern has been towards cottage industries and small industries. I would like to know whether, in the light of that study, the Government would consider that future subsidies should be linked with employment generation rather than capital investment. Is there any such proposal?

PROF. MADHU DANDAVATE: Sir, I fully agree with the analysis offered by the honourable Member. Not only in Baroda and Khaira but in all places it has been clearly established, and a clear instance is that of the textile industry. You will find that whether the decentralized sectors are working, they have provided a better potential. In backward areas also, wherever the employment potential is heavy and industries are built up, they are able to function in a better manner. Therefore, I fully accept his general assessment that we must give preference to small industries and cottage industries. But, as far as this subsidy is concerned, it is not at all available to large industries and it will be available only to the small-scale sector.

SHRI KAMAL MORARKA : Will you link it up with employment generation rather than capital investment?

PROF. MADHU DANDAVATE: That is exactly what I told him. There are two norms. One is to link up the subsidies with the investment and the capital. The other is to try to see that it is linked up with employment potential. I say that this is an acceptable proposition. We will examine that and it will be more advantageous to link up the subsidy with the employment potential of a particular industry.

SHRI G. SWAMINATHAN: Sir, there are two things that the Finance Minister has said. One is Central subsidy. It is true that it is withdrawn and consequently there is some problem. But

the States are also giving a subsidy. The States, including Tamil Nadu, are also giving a subsidy of about 10 per cent. The subsidy relates only to the investment made. In a small-scale industry, most probably, the investment may be Rs. 10-20 lakhs. On Rs. 20 lakhs the subsidy you may give is only Rs. 3 lakhs. Ultimately this industry is a result-oriented industry. There are some industries which are making good profits because benefit under the original section 80 HH was for a period of 10 years. It was only after four to five years of struggle that these industries started getting a profit of about Rs. 10 lakhs. Those times they were able to get a benefit of 45 per cent. Because these are result-oriented industries, in anticipation of what they would get, they had opted for the backward areas. Now, out of 10 years, five years have already gone and only in this period of five years they were thinking of getting profit and the advantage of section 80 HH. Now the honourable Minister is taking away the whole thing. Ultimately, it is not capital investment.

MR. CHAIRMAN: What is your question?

SHRI G. SWAMINATHAN: The only point I wish to make is what has already been mentioned by my friend, Mr. Bhandare. The pipeline industries which have been anticipating benefits, and because of which they have put up industries, should not be made to suffer. Then, it was the result-oriented industries which were getting the benefit of section 80 HH. Now you are talking about capital intensive industry which is not in the small-scale sector. So, it will be a very great hardship for many industries which have been started and, ultimately, under sections 80 and 80 HH--under the old one it was 45 per cent--now you are giving only 30 per cent. Again they are suffering a 15 per cent loss. Who will give them this 15 per cent?

PROF. MADHU DANDAVATE: Sir, the hon. Member's contention is that the subsidy offered both by the State Government and the Union Government is linked up with capital and investment and as a result of that the total volume of subsidy that is available is not much. In that context, I would again like to draw your attention to the reply that I gave to Mr. Kamal Morarka that because originally the subsidy of 15 per cent for the backward areas was linked up with the investment, we have just restored our formula. But we will re-examine that issue. Personally I do feel, as Mr. Kamal Morarka has pointed out, if it is linked up with the employment potential of a particular industry, there will be more incentive to have industries which are employment-oriented. That being the perspective of the Planning Commission, we will take note of that.

*323. [*The questioner (Shri Satya Prakash Malaviya) was absent. For answer* vide *Col. p.* 36 infra]

New scheme by Technology Finance and Development Corporation

*324. SHRI KRISHAN LAL SHARMA:†
SHRI ATAL BIHARI VAJPAYEE:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that towards the end of 1988 a new scheme was launched by Technology Finance and Development Corporation to provide impetus to the technological innovations and their commercialisation in the country, by providing requisite financial support under the Risk Capital and Technology Finance Corporation Ltd., sponsored by IFCI;

(b) if so, what is the number of projects sanctioned so far under the new scheme;

†The question was actually asked on the floor of the House by Shri Krishan Lal Sharma.